

HONOLULU, HAWAII, TUESDAY, DECEMBER 8, 1908

PRESIDENT ROOSEVELT'S MESSAGE--- STRONG HAWAII RECOMMENDATIONS

PLAIN TALK BY THE PRESIDENT

FEDERAL CONTROL OF RAILROADS.

CONTROL OF INTER-STATE COMMERCE.

MORE EMPLOYERS' LIABILITY.

CONSERVATION OF RESOURCES.

THIS MESSAGE IS ILLUSTRATED.

WANTS A PROGRESSIVE INHERITANCE TAX.

DISCUSSES "GOVERNMENT BY INJUNCTION."

GIVE PORTO RICANS CITIZENSHIP.

CUBANS OUGHT TO GOVERN THEMSELVES.

EMPHATIC VIEWS ON ARMY AND NAVY.

WASHINGTON, D. C., December 8.—President Roosevelt's message was read in both house of Congress today.

The message is as follows:
To the Senate and House of Representatives:

FINANCES.

The financial standing of the Nation at the present time is excellent, and the financial management of the Nation's interests by the Government during the last seven years has shown the most satisfactory results. But our currency system is imperfect, and it is earnestly to be hoped that the Currency Commission will be able to propose a thoroughly good system which will do away with the existing defects.

During the period from July 1, 1901, to September 30, 1908, there was an increase in the amount of money in circulation of \$902,991,399. The increase in the per capita during this period was \$7.06. Within this time there were several occasions when it was necessary for the Treasury Department to come to the relief of the money market by purchase or redemptions of United States bonds; by increasing deposits in national banks; by stimulating additional issues of national bank notes, and by facilitating importations from abroad of gold. Our imperfect currency system has made these proceedings necessary, and they were effective until the monetary disturbance in the fall of 1907 immensely increased the difficulty of ordinary methods of relief. By the middle of November the available working balance in the Treasury had been reduced to approximately \$5,000,000. Clearing house associations throughout the country had been obliged to resort to the expedient of issuing clearing house certificates, to be used as money. In this emergency it was determined to invite subscriptions for \$50,000,000 Panama Canal bonds, and \$100,000,000 three per cent certificates of indebtedness authorized by the act of June 13, 1898. It was proposed to re-deposit in the national banks the proceeds of these issues, and to permit their use as a basis for additional circulating notes of national banks. The moral effect of this procedure was so great that it was necessary to issue only \$24,631,980 of the Panama Canal bonds and \$15,436,500 of the certificates of indebtedness.

During the period from July 1, 1901, to September 30, 1908, the balance between the net ordinary receipts and the net ordinary expenses of the Government showed a surplus in the four years 1902, 1903, 1906 and 1907, and a deficit in the years 1904, 1905, 1908 and a fractional part of the fiscal year 1909. The net result was a surplus of \$99,233,413.54. The financial operations of the Government during this period, based upon these differences between receipts and expenditures, resulted in a net reduction of the interest-bearing debt of the United States from \$987,141,040 to \$897,253,990, notwithstanding that there had been two sales of Panama Canal bonds amounting in the aggregate to \$54,631,980, and an issue of three per cent certificates of indebtedness under the

act of June 13, 1898, amounting to \$15,436,500. Refunding operations of the Treasury Department under the act of March 14, 1900, resulted in the conversion into two per cent bonds of 1903 of \$200,309,400 bonds bearing higher rates of interest. A decrease of \$8,687,756 in the annual interest charges resulted from these operations.

In short, during the seven years and three months there has been a net surplus of nearly one hundred millions of receipts over expenditures, a reduction of the interest-bearing debt by ninety millions, in spite of the extraordinary expense of the Panama Canal, and a saving of nearly nine millions on the annual interest charge. This is an exceedingly satisfactory showing, especially in view of the fact that during this period the Nation has never hesitated to undertake any expenditure that it regarded as necessary. There have been no new taxes, and no increases of taxes; on the contrary some taxes have been taken off; there has been a reduction of taxation.

CORPORATIONS.

As regards the great corporations engaged in interstate business, and especially the railroads, I can only repeat what I have already said in my message to the Congress. I believe that under the interstate clause of the Constitution the United States has complete and paramount right to control all agencies of interstate commerce, and I believe that the National Government alone has the right to exercise this control with wisdom and effectiveness so as both to secure justice from, and to do justice to, the great corporations which are the most important factors in modern business. I believe that it is worse than folly to attempt to prohibit all combinations as is done by the Sherman anti-trust law, because such a law can be enforced only imperfectly and unequally, and its enforcement works almost as much hardship as good. I strongly advocate that instead of an unwise effort to prohibit all combinations, there shall be substituted a law which shall expressly permit combinations which are in the interest of the public, but shall at the same time give to some agency of the National Government full power of control and supervision over them. One of the chief features of this control should be securing entire publicity in all matters which the public has a right to know, and furthermore, the power, not by judicial but by executive action, to prevent or put a stop to every form of improper favoritism or other wrongdoing.

The railroads of the country should be put completely under the Interstate Commerce Commission and removed from the domain of the anti-trust law. The power of the Commission should be made thoroughgoing, so that it could exercise complete supervision and control over the issue of securities as well as over the raising and lowering of rates. As regards rates, at least, this power should be

summary. The power to investigate the financial operations and accounts of the railroads has been one of the most valuable features in recent legislation. Power to make combinations and traffic agreements should be explicitly conferred upon the railroads, the permission of the Commission being first gained and the combination or agreement being published in all its details. In the interest of the public the representatives of the public should have complete power to see that the railroads do their duty by the public, and as a matter of course this power should also be exercised so as to see that no injustice is done to the railroads. The shareholders, the employees and the shippers all have interests that must be guarded. It is to the interest of all of them that no swindling stock speculation should be allowed, and that there should be no improper issuance of securities. The guiding intelligence necessary for the successful building and successful management of railroads should receive ample remuneration; but no man should be allowed to make money in connection with railroads out of fraudulent over-capitalization and kindred stock-gambling performances; there must be no defrauding of investors, oppression of the farmers and business men who ship freight, or callous disregard of the rights and needs of the employees. In addition to this the interests of the shareholders, of the employees, and of the shippers should all be guarded as against one another. To give any one of them undue and improper consideration is to do injustice to the others. Rates must be made as low as is compatible with giving proper returns to all the employees of the railroad, from the highest to the lowest, and proper returns to the shareholders; but they must not, for instance, be reduced in such fashion as to necessitate a cut in the wages of the employees or the abolition of the proper and legitimate profits of honest shareholders.

Telegraph and telephone companies engaged in interstate business should be put under the jurisdiction of the Interstate Commerce Commission. It is very earnestly to be wished that our people, through their representatives, should act in this matter. It is hard to say whether most damage to the country at large would come from entire failure on the part of the public to supervise and control the actions of the great corporations, or from the exercise of the necessary governmental power in a way which would do injustice and wrong to the corporations. Both the preachers of an unrestricted individualism, and the preachers of an oppression which would deny to able men of business the just reward of their initiative and business sagacity, are advocating policies that would be fraught with the gravest harm to the whole country. To permit every lawless capitalist, every law-defying corporation, to take any action, no matter how injurious, in the effort to secure an improper profit and to build up privilege, would be ruinous to the Republic and would mark the abandonment of the effort to secure in the industrial world the spirit of democratic fair-dealing. On the other hand, to attack these wrongs in that spirit of demagoguery which can see wrong only when committed by the man of wealth, and is dumb and blind in the presence of wrong committed against men of property or by men of no property, is exactly as evil as corruptly to defend the wrongdoing of men of wealth. The war we wage must be waged against misconduct, against wrongdoing wherever it is found; and we must stand heartily for the rights of every decent man, whether he be a man of great wealth or a man who earns his livelihood as a wage-worker or a tiller of the soil.

It is to the interest of all of us that there should be a premium put upon individual initiative, individual capacity, and an ample reward for the great directing intelligences alone competent to manage the great business operations of today. It is well to keep in mind that exactly as the anarchist is the worst enemy of liberty and the reactionary the worst enemy of order, so the men who defend the rights of property have most to fear from the wrongdoers of great wealth, and the men who are championing popular rights have most to fear from the demagogues who in the name of popular rights would do wrong to and oppress honest business men, honest men of wealth; for the success of either type of wrongdoer necessarily invites a violent reaction

against the cause the wrongdoer nominally upholds. In point of danger to the Nation there is nothing to choose between on the one hand the corruptionist, the bribe-giver, the bribe-taker, the man who employs his great talent to swindle his fellow-citizens on a large scale, and, on the other hand, the preacher of class hatred, the man who, whether from ignorance or from willingness to sacrifice his country to his ambition, persuades well-meaning but wrong-headed men to try to destroy the instruments upon which our prosperity mainly rests. Let each group of men beware of and guard against the shortcomings of which that group is itself most liable. Too often we see the business community in a spirit of unhealthy class consciousness deplore the effort to hold to account under the law the wealthy men who in their management of great corporations, whether railroads, street railways, or other industrial enterprises, have behaved in a way that revolts the conscience of the plain, decent people. Such an attitude can not be condemned too severely, for men of property should recognize that they jeopardize the rights of property when they fall heartily to join in the effort to day away with the abuses of wealth. On the other hand, those who advocate proper control on behalf of the public, through the State, of these great corporations, and of the wealth engaged on a giant scale in business operations, must ever keep in mind that unless they do scrupulous justice to the corporation, unless they permit ample profit, and cordially encourage capable men of business so long as they act with honesty, they are striking at the root of our national well-being; for in the long run, under the mere pressure of material distress, the people as a whole would probably go back to the reign of an unrestricted individualism rather than submit to a control by the State so drastic and so foolish, conceived in a spirit of such unreasonable and narrow hostility to wealth, as to prevent business operations from being profitable, and therefore to bring ruin upon the entire business community, and ultimately upon the entire body of citizens.

The opposition to Government control of these great corporations makes its most effective effort in the shape of an appeal to the old doctrine of States' rights. Of course there are many sincere men who now believe in unrestricted individualism in business, just as there were formerly many sincere men who believed in slavery—that is, in the unrestricted right of an individual to own another individual. These men do not by themselves have great weight, however. The effective fight against adequate Government control and supervision of individual, and especially of corporate, wealth engaged in interstate business is chiefly done under cover; and especially under cover of an appeal to States' rights. It is not at all infrequent to read in the same speech a denunciation of predatory wealth fostered by special privilege and defiance of both the public welfare and law of the land, and a denunciation of centralization in the Central Government of the power to deal with this centralized and organized wealth. Of course the policy set forth in such twin denunciations amounts to absolutely nothing, for the first half is nullified by the second half. The chief reason, among the many sound and compelling reasons, that led to the formation of the National Government, was the absolute need that the Union, and not the several States, should deal with interstate and foreign commerce; and the power to deal with interstate commerce was granted absolutely and plenarily to the Central Government and was exercised completely as regards the only instruments of interstate commerce known in those days—the waterways, the highroads, as well as the partnerships of individuals who then conducted all of what business there was. Interstate commerce is now chiefly conducted by railroads; and the great corporation has supplanted the mass of small partnerships or individuals. The proposal to make the National Government supreme over, and therefore to give it complete control over, the railroads and other instruments of interstate commerce is merely a proposal to carry out to the letter one of the prime purposes, for which the Constitution was founded. It does not represent cen-

tralization. It represents merely the acknowledgment of the patent fact that centralization has already come in business. If this irresponsible outside business power is to be controlled in the interest of the general public it can only be controlled in one way; by giving adequate power of control to the one sovereignty capable of exercising such power—the National Government. Forty or fifty separate state governments can not exercise that power over corporations doing business in most or all of them; first, because they absolutely lack the authority to deal with interstate business in any form; and second, because of the inevitable conflict of authority sure to arise in the effort to enforce different kinds of state regulation, often inconsistent with one another and sometimes oppressive in themselves. Such divided authority can not regulate commerce with wisdom and effect. The Central Government is the only power which, without oppression, can nevertheless thoroughly and adequately control and supervise the large corporations. To abandon the effort for National control means to abandon the effort for all adequate control and yet to render likely continual bursts of action by State legislatures, which can not achieve the purpose sought for, but which can do a great deal of damage to the corporation without conferring any real benefit on the public.

I believe that the more far-sighted corporations are themselves coming to recognize the unwisdom of the violent hostility they have displayed during the last few years to regulation and control by the National Government of combinations engaged in interstate business. The truth is that we who believe in this movement of asserting and exercising a genuine control, in the public interest, over these great corporations have to contend against two sets of enemies, who, though nominally opposed to one another, are really allies in preventing a proper solution of the problem. There are, first, the big corporation men, and the extreme individualists among business men, who genuinely believe in utterly unregulated business—that is, in the reign of plutocracy; and second, the men who, being blind to the economic movements of the day, believe in a movement of repression rather than of regulation of corporations, and who denounce both the power of the railroads and the exercise of the Federal power which alone can really control the railroads. Those who believe in efficient national control, on the other hand, do not in the least object to combinations; do not in the least object to concentration in business administration. On the contrary, they favor both, with the all important proviso that there shall be such publicity about their workings, and such thoroughgoing control over them, as to insure their being in the interest, and not against the interest, of the general public. We do not object to the concentration of wealth and administration; but we do believe in the distribution of the wealth in profits to the real owners, and in securing to the public the full benefit of the concentrated administration. We believe that with concentration in administration there can come both the advantage of a large ownership and of a more equitable distribution of profits, and at the same time a better service to the commonwealth. We believe that the administration should be for the benefit of the many; and that greed and rascality, practiced on a large scale, should be punished as relentlessly as if practiced on a small scale.

We do not for a moment believe that the problem will be solved by any short and easy method. The solution will come only by pressing various concurrent remedies. Some of these remedies must lie outside the domain of all government. Some must lie outside the domain of the Federal Government. But there is legislation which the Federal Government alone can enact and which is absolutely vital in order to secure the attainment of our purpose. Many laws are needed. There should be regulation by the National Government of the great interstate corporations, including a simple method of account keeping, publicity, supervision of the issue of securities, abolition of rebates and of special privileges. There should be short time franchise for all corporations engaged in public business; including the corporations which get power from water rights. There should

ABOUT HAWAII

LAND CONDITIONS CHANGING--IMPROVED HARBORS ON EACH ISLAND--AMEND THE COASTWISE LAWS--KEEP UP ARMY AND NAVY WORK--PROTECT THE NAVAL STATION.

I call particular attention to the Territory of Hawaii. The importance of those islands is apparent, and the need of improving their condition and developing their resources is urgent. In recent years industrial conditions upon the islands have radically changed. The importation of coolie labor has practically ceased, and there is now developing such a diversity in agricultural products as to make possible a change in the land conditions of the Territory, so that an opportunity may be given to the small land owner similar to that on the mainland. To aid these changes, the National Government must provide the necessary harbor improvements on each island, so that the agricultural products can be carried to the markets of the world. The coastwise shipping laws should be amended to meet the special needs of the islands, and the alien contract labor law should be so modified in its application to Hawaii as to enable American and European labor to be brought thither.

We have begun to improve Pearl Harbor for a naval base and to provide the necessary military fortifications for the protection of the islands, but I can not too strongly emphasize the need of appropriations for these purposes of such an amount as will within the shortest possible time make those islands practically impregnable. It is useless to develop the industrial conditions of the islands and establish there bases of supply for our naval and merchant fleets unless we insure, as far as human ingenuity can, their safety from foreign seizure.

One thing to be remembered with all our fortifications is that it is almost useless to make them impregnable from the sea if they are left open to land attack. This is true even of our own coast, but it is doubly true of our insular possessions. In Hawaii, for instance, it is worse than useless to establish a naval station unless we establish it behind fortifications so strong that no landing force can take them save by regular and long-continued siege operations.

LABOR.

There are many matters affecting labor and the status of the wage-worker to which I should like to draw your attention, but an exhaustive discussion of the problem in all its aspects is not now necessary. This administration is nearing its end; and, moreover, under our form of government the solution of the problem depends upon the action of the States as much as upon the action of the Nation. Nevertheless, there are certain considerations which I wish to set before you, because I hope that our people will more and more keep them in mind. A blind and ignorant resistance to every effort for the reform of abuses and for the readjustment of society to modern industrial conditions represents not true conservatism but an incitement to the wildest radicalism; for wise radicalism and wise conservatism go hand in hand, one bent on progress, the other bent on seeing that no change is made unless in the right direction. I believe in a steady effort, or perhaps it would be more accurate to say in steady efforts in many different directions, to bring about a condition of affairs under which the men who work with hand or brain, the laborers, the superintendents, the men who produce for the market and the men who find a market for the articles produced, shall own a far greater share than at present of the wealth they produce, and be enabled to invest it in the tools and instruments by which all work is carried on. As far as possible I hope to see a frank recognition of the advantages conferred by machinery, organization, and division of labor, accompanied by an effort to bring about a larger share in the ownership by wageworker of railway, mill, and factory. In farming, this simply means that we wish to see the farmer own his own land; we do not wish to see the farms so large that they become the property of absentee landlords who farm them by tenants, not yet so small that the farmer becomes like a European peasant. Again, the depositors in our savings banks now number over one-tenth of our entire population. These are all capitalists, who through the savings banks loan their money to the

National as well as State guardianship of mines and forests. The labor legislation hereinafter referred to should concurrently be enacted into law. To accomplish this, means of course a certain increase in the use of—not the creation of—power, by the Central Government. The power already exists; it does not have to be created; the only question is whether it shall be used or left idle—and meanwhile the corporations over which the power ought to be exercised will not remain idle. Let those who object to this increase in the use of the only power available, the national power, be frank, and admit openly that they propose to abandon any effort to control the great business corporations and to exercise supervision over the accumulation and distribution of wealth; for such supervision and control can only come through this particular kind of increase of power. We no more believe in that empiricism which demands absolutely unrestrained individualism than we do in that empiricism which clamors for a deadening socialism which would destroy all individual initiative and would ruin the country with a completeness that not even an unrestrained individualism itself could achieve. The danger to American democracy lies not in the least in the concentration of administrative power in responsible and accountable hands. It lies in having the power insufficiently concentrated, so that no one can be held responsible to the people for its use. Concentrated power is palpable, visible, responsible, easily reached, quickly held to account. Power scattered through many administrators, many legislators, many men who work behind and through legislators and administrators, is impalpable, is unseen, is irresponsible, can not be reached, can not be held to account. Democracy is in peril wherever the administration of political power is scattered among a variety of men who work in secret, whose very names are unknown to the common people. It is not in peril from any man who derives authority from the people, who exercises it in sight of the people, and who is from time to time compelled to give an account of its exercise to the people.